BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

# Performance Measurement Framework

Policy Document

Applicable to
1. Prescribed development financial institutions

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# PART A OVERVIEW

## 1 Introduction

1.1 Prescribed Development Financial Institutions (DFIs) are specialised entities established by the Government to fulfil specific mandates aimed at advancing key strategic sectors that underpin Malaysia's socio-economic development. In pursuit of these mandates, DFIs serve a pivotal role in addressing financial inclusion gaps, enabling access to financing for unserved and underserved segments, and catalysing development in areas typically underserved by commercial banks.

1.2 The Performance Measurement Framework (PMF) is a strategic instrument developed to enhance the effectiveness of DFIs in fulfilling their mandated roles. It provides structured guidance for DFIs to formulate purposeful strategies that generate additionality through their business operations, thereby contributing value to both the financial intermediation process and the broader socio-economic landscape. Furthermore, the PMF enables DFIs to systematically capture, monitor and communicate the developmental outcomes of their activities to relevant stakeholders.

1.3 The PMF also seeks to reinforce the role of DFIs as nation-building public institutions by guiding them to:

(a) Prioritise unserved / underserved segments and sectors to address persistent funding and financial inclusion gaps;
(b) Deliver impactful and targeted solutions that respond to the specific needs of unserved and underserved communities;
(c) Manage and utilise resources, including government funds, in an efficient, effective, and accountable manner;
(d) Strengthen the capabilities of both private and public sector stakeholders to better serve unserved and underserved segments; and
(e) Strengthen internal systems, policies and institutional culture to enhance organisational capabilities that support both direct and enabling contributions to mandate delivery, while promoting accountability and transparency.

1.4 This policy document aims to ensure the effective implementation of the PMF by DFIs by detailing the key result areas, relevant indicators and implementation approach.

1.5 This policy document outlines the following key elements to support the effective implementation of the PMF:

(a) General PMF requirements, including expectations on governance, strategies, talent, data, systems, and channels;
(b) Core components of the framework, including performance indicators that DFIs are expected to achieve; and
(c) Reporting obligations to promote transparency, facilitate continuous performance evaluation and support stakeholder engagement.

## 2 Applicability

2.1 This policy document is applicable to all DFIs prescribed under the Development Financial Institutions Act 2002 (DFIA).

## 3 Legal Provision

3.1 The requirements in this policy document are specified pursuant to sections 34, 41 and 116 of the DFIA.

3.2 The guidance in this policy document is issued pursuant to section 126 of the DFIA.

## 4 Effective Date

4.1 This policy document shall take effect on 24 June 2026. DFIs are expected to comply with the requirements herein by 1 July 2027 unless otherwise specified.

4.2 DFIs are encouraged to begin enhancing their internal processes and aligning with the policy expectations on best-effort basis from the date of the policy issuance. Early adoption will support smoother implementation and allow DFIs to identify and address potential gaps ahead of full compliance.

## 5 Interpretation

5.1 The terms and expressions used in this policy document shall have the same meanings assigned to them in the DFIA unless otherwise defined in this policy document.

5.2 For the purpose of this policy document –

"**S**" denotes a standard, an obligation, a requirement, specification, direction, condition, and any interpretative, supplemental and transitional provisions that must be complied with. Non-compliance may result in enforcement action;

"**G**" denotes guidance which may consist of statements or information intended to promote common understanding and advice or recommendations that are encouraged to be adopted;

"**board**" means the board of directors of a DFI, or a committee of the board of directors to whom the responsibilities set out in this policy document have been delegated;

"**senior management**" refers to the Chief Executive Officer and senior officers of a DFI;

"**retail DFIs**" refers to DFIs that accept both retail and corporate deposits, and offer a range of retail banking and business banking services such as savings accounts, personal financing, microfinancing and SME financing; and "**non-retail DFIs**" refers to DFIs that do not accept retail deposits and primarily serve businesses and enterprises, offering financing such as project loans, export credit, SME financing and sector-specific support.

## 6 Related Policy Documents

6.1 This policy document must be read together with other relevant legal instruments, policy documents, guidelines, codes or circulars that have been issued by BNM, in particular –

(a) Policy Document on Corporate Governance for Development Financial Institutions (issued on 24 June 2026);
(b) Policy Document on Financial Reporting for Development Financial Institutions (issued on 2 December 2022);
(c) Policy Document on Corporate Strategic Plan (issued on 24 June 2026);
(d) Policy Document on Complaints Handling (issued on 28 March 2025);
(e) Financial Inclusion Framework Strategy Paper (issued on 23 June 2023);
(f) Policy Document on Climate Change and Principle-based Taxonomy (issued on 30 April 2021);
(g) Policy Document on Agent Banking (issued on 16 June 2022); and
(h) Specifications relating to Bank Bergerak Initiative for retail DFIs (issued on 20 October 2021).

## 7 Policy Documents Superseded

7.1 This policy document supersedes the Performance Measurement Framework Implementation Guide, which is attached to the Policy Document on Corporate Strategic Plan issued on 27 May 2021.

## PART B GENERAL REQUIREMENTS

### 8 Governance and Oversight

**S** 8.1 Effective governance and oversight are critical to ensuring the successful implementation of the PMF in support of a DFI's developmental mandate. These functions shall be structured to empower senior management as the central authority responsible for operationalising the PMF, while the Board provides strategic direction and oversight to ensure alignment with the DFI's mandate and national development priorities.

**S** 8.2 Effective governance enables the Board and senior management to institutionalise the PMF, thereby fostering accountability, strategic alignment and continuous improvement in pursuit of impactful and measurable developmental outcomes. This should be read together with the Policy Document on Corporate Governance for Development Financial Institutions, which outlines BNM's requirements and expectations for DFIs to establish and maintain sound corporate governance arrangements, including oversight of performance and developmental impact.

**S** 8.3 To reinforce these expectations, the Board and senior management shall ensure that the PMF is effectively embedded within the institution's leadership, oversight and accountability structures. This includes promoting transparency, fostering institutional ownership of developmental objectives and aligning the PMF with strategic priorities at both governance and operational levels to support the effective delivery of the DFI's mandate.

**The Board**

**S** 8.4 The Board shall exercise strategic oversight to ensure that the implementation of the PMF effectively supports the DFI's developmental mandate. This includes approving strategic plans and performance targets that balance the institution's objectives of developmental impact and financial sustainability, thereby ensuring institutional efforts remain focused, coherent and aligned with its developmental mandate and national development priorities.

**S** 8.5 The Board shall ensure that the PMF is embedded within the institution's governance structures, including relevant board committees and reporting mechanisms. The Board shall hold senior management accountable for delivering PMF outcomes and implementing timely corrective actions where necessary to uphold transparency, institutional discipline and effective mandate delivery.

**S** 8.6 The Board shall monitor the DFI's performance against PMF indicators, including progress towards developmental goals. This includes regularly reviewing achievements and challenges to assess the effectiveness of development strategies and to provide strategic guidance that strengthens mandate delivery.

**G** 8.7 To strengthen its oversight role, the Board should consider having at least one member with relevant expertise in development and the DFI's mandated areas to provide informed input and strategic guidance on the implementation and effectiveness of the PMF.

**G** 8.8 The Board may incorporate developmental outcomes into its key performance indicators (KPIs), with progress reviewed as part of Board evaluations and renewal processes to reinforce accountability and maintain a strong focus on impact.

**G** 8.9 DFIs should consider establishing clear performance metrics to assess the effectiveness of the Board in overseeing the implementation of the PMF. These metrics may include the Board's role in setting strategic priorities, monitoring developmental outcomes, ensuring alignment with national objectives and promoting a culture of accountability and performance within the institution.

**Senior Management**

**S** 8.10 Senior management shall lead the implementation of the PMF, ensuring its integration into the DFI's operational, leadership and accountability frameworks. This central role positions senior management as the primary driver in translating strategic intent into measurable developmental outcomes, consistent with the DFI's mandate.

**S** 8.11 To support effective implementation, senior management shall institutionalise a function to oversee the PMF, with oversight by a Chief-level officer independent of the Compliance function. This function shall coordinate PMF-related activities, monitor progress and ensure integration across the institution, serving as the anchor for consistent and aligned execution.

**S** 8.12 Senior management shall also embed the PMF into business and operational planning, resource allocation and performance management systems. This ensures that strategic objectives are translated into measurable outcomes, with clear alignment to PMF indicators and the DFI's developmental priorities.

**S** 8.13 Senior management shall institutionalise PMF performance monitoring mechanisms and institute regular updates to the Board. These updates should highlight progress, identify key challenges and provide strategic recommendations to support the Board's oversight and decision-making responsibilities.

**S** 8.14 Beyond these core responsibilities, senior management shall promote a culture of ownership and accountability for PMF outcomes across departments and functions. This includes fostering internal commitment to the DFI's mandate and the underserved, encouraging proactive performance management at all levels and strengthening PMF governance by integrating PMF metrics into departmental scorecards. Developmental KPIs shall be cascaded to relevant teams to reinforce institutional focus on impact and ensure meaningful contributions towards the DFI's goals.

**S** 8.15 Senior management shall lead efforts to streamline internal processes, improve data quality and strengthen reporting mechanisms to support effective PMF tracking. These improvements are critical to ensure timely, accurate and actionable insights that inform strategic decisions and drive continuous improvement.

**G** 8.16 In complement to the PMF oversight function in paragraph 8.11, DFIs are encouraged to institutionalise a role within their senior management structure, e.g., Chief Developmental Officer (CDO) to ensure strategic alignment with the institution's mandate, national development priorities and to strengthen impact measurement. The role should be responsible for formulating and executing developmental strategies, fostering stakeholder collaboration and ensuring that programmes and services deliver measurable socio-economic outcomes in line with the institution's mandate.

**S** 8.17 Senior management shall oversee the formulation, implementation and continuous refinement of the institution's PMF strategies. This includes ensuring effective alignment with the institution's mandated roles, national development priorities and measurable developmental outcomes. Strategies shall also explicitly address the needs of unserved and underserved segments, with clear performance indicators to track outreach and impact. Further expectations are outlined in paragraphs 9.1 to 9.8.

## 9 Strategic Planning and Alignment

**S** 9.1 Strategic planning and alignment are critical to ensuring that a DFI's strategies, objectives and targets under the PMF are coherent with its mandated roles and national development priorities. The PMF serves as a central tool for robust strategy development by providing a structured, outcome-oriented framework that supports the formulation of clear strategic goals, prioritisation of focus areas and measurement of progress against developmental and financial benchmarks. This enables DFIs to translate their institutional mandates into measurable outcomes through coherent planning and disciplined execution.

**G** 9.2 Such alignment is essential for a DFI to maintain clarity of purpose, enabling effective deployment of resources, targeted interventions and meaningful impact measurement. It also strengthens accountability while reinforcing financial sustainability and developmental effectiveness.

**S** 9.3 DFIs shall treat the PMF's Strategic Planning and Alignment component as complementary to the Policy Document on the Corporate Strategic Plan to ensure a holistic corporate strategy aligned with national development priorities. Both documents shall be read together to promote consistency, clarity and accountability in strategy formulation and execution.

**S** 9.4 DFIs are expected to institutionalise strategic measures that effectively support the delivery of their mandates. These measures shall be embedded within the organisation's planning and operational processes, and reinforced by adequate resources and infrastructure to ensure consistent execution, scalability and long-term impact.

**S** 9.5 DFIs shall formulate broad strategies to address the needs of unserved and underserved segments and sectors within their mandated scope. These strategies shall be purposefully designed to close persistent funding gaps and remain responsive to the evolving socio-economic landscape. In doing so, DFIs are expected to demonstrate intentionality in identifying priority segments, tailoring interventions and aligning strategic efforts with their institutional mandates and national development priorities.

**S** 9.6 DFIs shall aspire to balance their strategic objectives to reflect developmental impact and financial sustainability. This balance is essential to ensure long-term institutional viability while maintaining a clear focus on delivering meaningful outcomes in line with their mandates. Strategic decisions should reflect a dual focus that prioritises inclusive development while upholding financial prudence, enabling DFIs to remain resilient, relevant and impactful.

**S** 9.7 Strategic planning processes shall be data-driven, forward-looking and responsive to national priorities and socio-economic developments. DFIs shall develop targeted strategies to address specific challenges faced by mandated segments and sectors, ensuring these are evidence-based, context-specific and designed to deliver measurable outcomes that support developmental objectives and institutional effectiveness. This approach enables DFIs to remain agile, relevant and aligned with broader policy directions.

**G** 9.8 DFIs are also expected to adopt rigorous benchmarking practices, referencing innovative solutions and global best practices to continuously improve strategic effectiveness, operational efficiency and developmental impact.

## 10 Talent and Culture

**S** 10.1 To support effective implementation of the PMF and fulfilment of mandated developmental roles, DFIs shall be anchored by a strong foundation of talent and organisational culture. This includes cultivating a technically competent and developmentally oriented workforce, embedding developmental principles into institutional norms and aligning performance systems with inclusive impact. These elements shall be integrated cohesively to ensure consistent and sustained PMF implementation across all levels of the organisation.

### Talent and Expertise

**G** 10.2 DFIs should ensure that their workforce possesses the requisite expertise to support the effective implementation, monitoring and evaluation of developmental strategies and PMF execution. This includes technical competencies in areas such as developmental finance, impact measurement and strategic planning. In addition, staff should demonstrate a strong developmental orientation, including a deep understanding of the socio-economic contexts and needs of underserved and grassroots communities, to ensure that institutional solutions are appropriately tailored and impactful.

**G** 10.3 DFIs should undertake timely and structured workforce planning to ensure alignment between institutional capabilities and the requirements of PMF implementation. This process may include identifying current and emerging skill needs, mapping organisational functions to developmental priorities, and defining clear roles and responsibilities. Staff should be strategically deployed to areas where their expertise can contribute meaningfully to the achievement of developmental outcomes.

**S** 10.4 DFIs shall establish a remuneration and incentive framework that promotes performance excellence and reinforces alignment with the institution's developmental mandate. The framework shall explicitly incorporate financial and developmental performance metrics, including indicators derived from the PMF. This ensures that staff behaviours and outcomes are consistently guided by the institution's strategic priorities and developmental objectives. Incentive structures should reward contributions that advance inclusive impact, particularly outcomes for unserved and underserved segments.

**G** 10.5 In relation to paragraph 10.4, this remuneration framework should consider:

(a) Integrating PMF-linked indicators into performance appraisals with clear weightage;
(b) Recognising innovation, collaboration and impact delivery for underserved sectors and segments; and
(c) Ensuring transparency and consistency in reward mechanisms to build trust and reinforce alignment.

**S** 10.6 DFIs shall designate focal persons to lead the function specified in paragraph 8.11 and coordinate PMF implementation across the institution. These individuals shall be vested with the necessary authority, equipped with appropriate tools and resources, and supported through cross-functional collaboration to ensure effective execution of performance measurement activities. They should be responsible and accountable for driving alignment with PMF requirements, which may include facilitating data collection and reporting, and promoting institutional ownership of developmental outcomes.

**G** 10.7 DFIs should strengthen leadership capabilities that support strategic thinking, effective change management and accountability for delivering developmental outcomes. Leadership development programmes should be implemented to build capacity for driving performance and embedding developmental values. Building leadership capacity is critical to embedding a performance-driven culture and ensuring sustained commitment to the PMF.

**G** 10.8 DFIs should implement continuous learning programmes to build staff awareness and understanding of the PMF, including its components, indicators and reporting requirements. This may include onboarding sessions for new staff, periodic refresher trainings and knowledge-sharing platforms to promote consistent application of the framework and reinforce institutional ownership of performance measurement processes.

**Developmental Culture**

**S** 10.9 DFIs shall cultivate a performance-driven culture that integrates PMF strategies with business sustainability. Developmental impact shall be embedded into strategic decision-making, operational planning and staff performance evaluation to uphold the institution's objectives of financial viability and socio-economic contribution.

**S** 10.10 Senior leadership shall visibly and consistently demonstrate commitment to developmental outcomes. This includes integrating PMF principles into strategic decisions, openly communicating the importance of impact measurement and modelling behaviours that reflect the institution's developmental values. Leadership actions are critical in shaping organisational norms and reinforcing the developmental mandate and focus on the underserved.

**G** 10.11 Developmental culture should be institutionalised through formal mechanisms. This includes embedding PMF-related principles into internal policies, standard operating procedures (SOPs), planning frameworks and review processes. This ensures that developmental impact is a standard lens for decision-making and evaluation, reinforcing consistent behaviour and accountability.

**G** 10.12 DFIs are encouraged to promote cross-functional collaboration and internal alignment to ensure that all departments contribute meaningfully to developmental outcomes. This includes fostering shared ownership of additionality and PMF targets across business and support units, which will strengthen coherence and collective accountability.

**G** 10.13 DFIs should maintain regular and transparent communication on PMF progress, developmental priorities and impact stories with its internal and external key stakeholders. Townhalls, newsletters and interactive platforms may be used to build awareness, engagement and emotional connection to their mandate.

**G** 10.14 DFIs should promote a shift in staff mindset from transactional service delivery to long-term impact creation. Staff should be equipped and encouraged to understand the structural challenges faced by unserved and underserved segments, and to internalise the institution's developmental mandate as a core driver of their work. This includes fostering a sense of purpose, accountability and commitment to inclusive and sustainable socio-economic progress through every function and decision.

**G** 10.15 In order to embed developmental culture at the operational level, DFIs should empower branches and field offices to take ownership of PMF targets and outcomes. This includes involving them in planning processes, granting autonomy to innovate and recognising their role in reaching underserved communities.

## 11 Data, Systems and Transparency

**S** 11.1 DFIs are expected to build a strong foundation for performance measurement through reliable data infrastructure, analytical capabilities and transparent reporting. These elements are critical enablers for effective PMF implementation, strategic decision-making and demonstration of developmental impact. Data shall be systematically managed, meaningfully analysed and clearly disclosed to uphold institutional accountability and stakeholder trust.

**Data Management and Systems Infrastructure**

**S** 11.2 DFIs are required to implement an integrated data and information management system that aligns with strategic objectives and developmental outcomes. The framework shall include clear policies, system architecture, internal controls and quality assurance mechanisms to ensure data integrity, consistency and security across all operational levels.

**G** 11.3 DFIs should enhance data reliability and reporting efficiency through leveraging on various advancements of technology in areas such as Artificial Intelligence (AI), automation and validation tools. These tools help minimise manual errors, enhance risk management capabilities, improve timeliness and support consistent data flows across platforms.

**G** 11.4 DFIs are encouraged to periodically review and upgrade their data systems to ensure continued relevance and responsiveness to evolving institutional needs and regulatory requirements.

**Analytical Capabilities and Internal Reporting**

**S** 11.5 DFIs shall ensure accurate, consistent and comprehensive collection of developmental performance data across platforms, including PMF reports, CCRIS and other regulatory submissions. Data shall be structured to support both internal performance tracking and external reporting obligations.

**S** 11.6 Developmental data shall be systematically tracked and analysed to assess progress against strategic outcomes including institutional mandate, KPIs and national development priorities. This analysis shall inform institutional performance reviews and strategic recalibrations.

**S** 11.7 DFIs shall embed data-driven insights into strategic planning, programme design and resource allocation processes. This supports evidence-based decision-making and strengthens alignment between institutional actions and developmental goals.

**G** 11.8 DFIs are encouraged to develop analytical capabilities such as impact assessment tools, trend analysis and performance benchmarking. These capabilities should be integrated into strategic and risk management processes to enhance institutional responsiveness and effectiveness.

**Disclosure and Transparency**

**S** 11.9 DFIs shall publicly disclose key developmental performance data in a timely and transparent manner through appropriate channels, including annual reports and institutional websites. Disclosures shall reflect the institution’s contribution to its mandate and be presented in a format that is clear, accessible and relevant to diverse audiences.

**S** 11.10 DFIs shall refer to their Corporate Strategic Plan for guidance on disclosing additionalities and comply with the disclosure format outlined in the Policy Document on Financial Reporting for Development Financial Institutions, including any subsequent amendments or reissuances.

**G** 11.11 DFIs should continuously refine reporting practices to capture more granular and disaggregated data. This enables deeper insights into developmental outcomes and segment-specific performance, supporting more targeted interventions.

**G** 11.12 DFIs are encouraged to conduct thematic reviews or studies periodically to assess the effectiveness, relevance and usage of data systems and reporting channels. These assessments support continuous improvement and reinforce accountability to stakeholders.

## 12 Effective and Efficient Channels to Access Services

**S** 12.1 Channels are a critical enabler for DFIs to deliver on their mandated roles and implement the PMF effectively. The availability, accessibility and responsiveness of delivery channels directly influence the institution's ability to reach unserved and underserved segments, facilitate inclusive financial access and drive measurable developmental outcomes. DFIs shall therefore establish and maintain inclusive infrastructure and arrangements that support continuous, reliable and equitable access to financial products and services across all segments of society.

**S** 12.2 To fulfil their financial inclusion mandate, retail DFIs[1] shall adopt a multi-channel strategy that ensures ease and convenience in accessing financial services. This strategy shall combine both digital and physical channels, with a long-term vision to reduce dependency on physical access points as communities transition to digital channels. Digital channels shall be underpinned by secure, user-friendly systems that are accessible to individuals with varying levels of digital literacy and connectivity. They should support the full range of financial services such as savings, financing, payments and protection products, and be tailored to the needs of priority segments such as microenterprises, smallholder farmers and informal workers. In areas where digital adoption remains limited, retail DFIs shall ensure the availability of access points to serve rural, remote and low-income communities.

**S** 12.3 Retail DFIs shall continuously promote digital literacy, especially among rural and underserved groups, through both physical and digital outreach channels. This includes community-based programmes, digital tutorials and partnerships with local agencies and organisations. Content should be inclusive and

[1] This standard 'S' applies only to retail DFIs. For non-retail DFIs, it may be referred to as guidance 'G'.

accessible to ensure users gain the confidence and skills needed to adopt digital financial services.

**S** 12.4 Retail DFIs shall monitor the effectiveness and usage of each delivery channel. This includes tracking transaction trends, user engagement and readiness for digital transition in specific areas. DFIs are encouraged to conduct thematic surveys or studies to evaluate channel performance, identify operational challenges and uncover opportunities for improvement. Such assessments are critical to ensuring that channel strategies remain relevant, responsive and aligned with community needs.

**S** 12.5 DFIs shall ensure the availability of responsive customer support channels, including service counters, hotlines and digital helpdesks. These shall be equipped to handle inquiries and complaints effectively, with multilingual support and culturally sensitive engagement where appropriate. Front-facing support is essential to maintaining trust and ensuring that all users, regardless of background, can access assistance when needed.

**S** 12.6 Retail DFIs are required to submit an annual report on Channels to Access Services, using the format provided in Appendix 1.

## PART C KEY COMPONENTS OF THE FRAMEWORK

The PMF consists of three key components, namely Additionalities, Social Impact, and Operational Efficiency, as illustrated in Diagram 1 below.

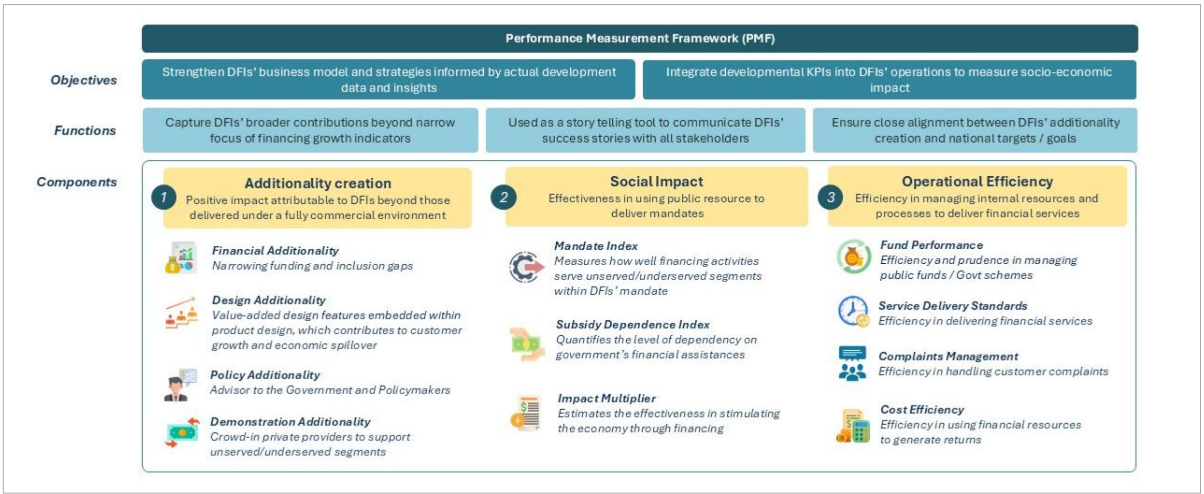


*Diagram 1: Overview of the Performance Measurement Framework*

## 13 Additionalities

13.1 In fulfilling their mandates, DFIs contribute uniquely to Malaysia's financial ecosystem through a set of developmental outcomes referred to as *additionalities*. These represent the distinct social and economic value created by DFIs that would not have materialised under a fully commercial environment.

13.2 Additionalities serve as a key metric in assessing DFIs' developmental performance. They reflect the institutions' effectiveness in addressing funding and financial inclusion gaps, catalysing private sector participation, and promoting inclusive and sustainable growth within their mandated segments and sectors.

13.3 In the PMF, additionalities are assessed across four core dimensions:

(a) **Financial Additionality** – Address structural funding gaps and provide countercyclical support to mandated segments and strategic sectors;

(b) **Design Additionality** – Embed value-added design features into financial products to strengthen customer resilience, address structural barriers and generate broader developmental benefits in a responsible and sustainable manner;

(c) **Demonstration Additionality** – Demonstrate the commercial viability of target segments / sectors to catalyse private sector participation and scalable market solutions; and

(d) **Policy Additionality** – Contribute to an enabling policy and regulatory environment to address systemic barriers and expand access for targeted segments.

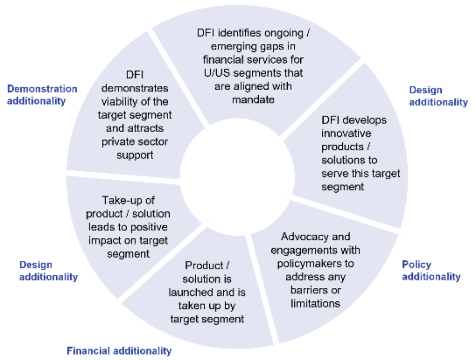


*Diagram 2: Interrelation between Additionalities*

13.4 The four dimensions of additionalities are interrelated and dynamic, rather than linear or sequential, as illustrated in Diagram 2. DFIs may engage with any dimension depending on their mandate, operating context or developmental priorities. For instance, a DFI may begin by identifying a funding gap (*Financial Additionality*), followed by the design of a tailored solution (*Design Additionality*), which then informs policy dialogue (*Policy Additionality*) and attracts private sector participation (*Demonstration Additionality*).

13.5 Alternatively, the process may be initiated through policy advocacy (*Policy Additionality*), leading to innovative product development (*Design Additionality*), funding support (*Financial Additionality*) and eventual market transformation (*Demonstration Additionality*). This flexible and iterative approach enables DFIs to integrate multiple additionalities in delivering impactful outcomes. The interplay between these dimensions ensures DFIs remain responsive to evolving socio-economic challenges while reinforcing systemic resilience and inclusive development.

## 14 Financial Additionality

**S** 14.1 Financial Additionality captures the role of DFIs in addressing structural funding gaps and providing countercyclical support to mandated segments and strategic sectors. It serves as a key indicator of DFIs' contribution in enabling access to funding for segments, sectors and projects that face constraints in securing support from commercial banks.

**S** 14.2 In fulfilling this role, DFIs shall prioritise support for segments and sectors within their mandate that are unserved or underserved by commercial banks, with a heightened focus on those facing persistent funding challenges.

**G** 14.3 To ensure meaningful and sustained impact in addressing funding gaps, DFIs are strongly encouraged to adopt the following strategic principles:

(a) Proactively identify unserved and underserved segments and sectors within their mandate, and implement targeted strategies to address funding gaps;

(b) Prioritise funding support for projects with high developmental value, particularly those that advance social inclusion, innovation and environmental sustainability, including businesses in emerging growth areas or high-technology sectors, as outlined by the Government; and

(c) Ensure that funding activities complement, rather than displace, private sector participation, focusing on catalysing market development, crowding-in private investment and delivering impactful outcomes where funding gaps persist.

**S** 14.4 For the purpose of strategic prioritisation of specific segments or sectors as outlined in paragraph 14.2, DFIs shall classify all financing output (value) and outreach (number of accounts)[2] into the following three categories:

| Category | Description |
|---|---|
| Aspirational | Unserved / underserved segments or sectors within a DFI's mandate that face challenges obtaining support from commercial banks[3] |
| Developmental | Segments or sectors within a DFI's mandate that are partially served by commercial banks but still face challenges in obtaining support from commercial banks |
| Non-developmental | Segments or sectors within a DFI's mandate that do not face challenges obtaining support from commercial banks |

**S** 14.5 DFIs shall apply the following guiding principles when categorising their financing output and outreach:

(a) Financing towards new growth areas and national priority sectors[4] <u>within the DFI's mandate</u> shall be classified as 'Aspirational';

(b) Segments, sectors, or facilities that may result in the crowding-out of private sector financing shall be classified as 'Non-developmental', unless the DFI can demonstrate otherwise;

(c) Personal financing facilities and other facilities intended for personal consumption shall be classified as 'Non-developmental' by default, unless the DFI can demonstrate that the facility serves a productive purpose; and

(d) Financing to non-mandated but permitted[5] areas shall be classified as 'Non-developmental'.

**S** 14.6 Each DFI shall develop a segmentation framework to guide the categorisation of its financing activities and derive a corresponding segmentation list to identify priority segments. Both the framework and the list shall be approved by the Board, with re-approval required in subsequent years only if changes are made. The segmentation list shall be submitted to BNM as part of the Corporate Strategic Plan (CSP).

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[2] For the purpose of measuring the Mandate Index, DFIs' output and outreach shall also encompass insurance and guarantee facilities for DFIs that are authorised to provide such facilities.

[3] Including Islamic banks, investment banks and digital banks.

[4] Examples of new growth areas and national priority sectors include climate financing, tech-related sectors specified under BNM's Fund High Tech & Green Facility and social finance (including iTEKAD).

[5] Non-mandated but permitted refers to financing towards segments / sectors / purposes that are not within DFIs' mandate but are permitted to undertake, e.g. SME Bank's financing beyond MSMEs (under specific conditions).

**S** 14.7 DFIs shall conduct periodic reviews of their segmentation framework (as outlined in paragraph 14.4) to ensure continued relevance, consistency and alignment with evolving market dynamics and national policy priorities.

**S** 14.8 DFIs shall devise and implement targeted strategies to reach unserved and underserved segments within their mandate, as classified under the segmentation framework in paragraph 14.4. These strategies should be deliberate and supported by clear action plans, measurable performance indicators and regular monitoring. This ensures that DFIs remain focused on promoting inclusive development and delivering financing to segments where funding gaps are most persistent.

**S** 14.9 To operationalise targeted strategies and ensure accountability, DFIs shall set annual approval targets for financing output and outreach across the following categories. These targets serve as a strategic tool to translate intent into measurable action, guiding resource allocation and enabling DFIs to monitor progress in closing funding gaps and delivering developmental outcomes:

(a) DFIs' overall mandated area;
(b) 'Aspirational' segments;
(c) 'Developmental' segments; and
(d) Government special schemes (further explained in paragraph 25.2).

**G** 14.10 To sustain momentum in creating financial additionality and addressing persistent funding gaps, DFIs are encouraged to demonstrate continuous annual growth in financing output and outreach to their mandated areas. This reflects a commitment to expanding developmental impact and maintaining relevance in a changing economic landscape.

**S** 14.11 DFIs shall submit their report on Financial Additionality according to the segmentation list in paragraph 14.6 and the reporting template outlined in Appendix 2.

## 15 Design Additionality

15.1 DFIs should embed Design Additionality as a strategic approach to enhance the developmental impact of their financial products, services and programmes. This entails integrating innovative design features that are intentionally crafted to improve customer resilience, generate positive economic spillovers and address structural challenges faced by unserved and underserved segments. By tailoring solutions to these needs, DFIs can demonstrate developmental relevance, reinforce their mandate and ensure meaningful outcomes for customers and the wider economy. Design Additionality reflects the DFI's commitment to go beyond traditional financing by embedding value-added elements that support inclusive and sustainable development.

15.2 To support effective implementation, DFIs shall track and report indicators that reflect the outcomes of their design features, enabling progress monitoring and continuous improvement, aligned with inclusive and sustainable development goals.

15.3 DFIs shall submit their report on Design Additionality in accordance with the reporting templates outlined in Appendix 3, together with any institution-specific indicators that reflect the impact of their intervention on customers and the wider economy that may be unique to their institution[6].

**Customer-Level Resilience and Progression**

**S** 15.4 DFIs shall design financial products and services that intentionally support customer progression. These offerings should include features that promote business formalisation, improved creditworthiness and upward migration.

**G** 15.5 Building on this foundation, DFIs are encouraged to have in place structured capacity-building programmes to enhance business capabilities, improving productivity and strengthening financial management practices particularly among enterprises within the DFIs' 'Aspirational' segments (as per segmentation framework in paragraph 14.4). These programmes should be designed to address capability gaps, foster long-term resilience and enable beneficiaries to better leverage financial support for sustainable growth.

**S** 15.6 Retail DFIs shall promote financial literacy among underserved individuals within their mandate to support informed financial decision-making and responsible behaviours. This shall be achieved through targeted education initiatives that encourage practices such as budgeting, saving and prudent borrowing, tailored to the needs and capabilities of the target segments.

**G** 15.7 DFIs are encouraged to monitor the outcomes and impact of specific financing facilities. By using the types of facilities taken up by customers as proxies, DFIs can refine product design to achieve greater customer impact.

**G** 15.8 In order to ensure effective customer engagement, DFIs are encouraged to equip their frontliners with the necessary skills and tools to advise customers from an additionality perspective. These frontliners should also be able to collect relevant performance data during customer interactions to inform future strategies.

**Innovation and Market Responsiveness**

**S** 15.9 DFIs shall identify unmet needs in unserved and underserved segments and address them accordingly by developing innovative products and solutions that effectively respond to market gaps. These products and solutions should be designed to responsibly and sustainably meet the needs of target segments, ensuring long-term developmental impact and financial inclusion, while embedding appropriate risk management controls in the design of the products to ensure sound and prudent implementation.

**G** 15.10 This includes exploring beyond conventional financing models by adopting non-traditional approaches such as cash-flow-based lending, milestone-linked disbursements or modular financial solutions, that are better aligned with the

[6] Examples may include export value by clients (RM million), energy generated by clients (MWh), roads constructed by clients (km), etc.

realities of target segments. DFIs are encouraged to adopt an iterative, evidence-based product development process, where solutions are continuously designed, tested and refined to ensure sustained relevance, effectiveness and developmental impact, while maintaining a commitment to responsible and sustainable innovation.

**G** 15.11 To enhance product relevance and effectiveness, DFIs should deepen their understanding of customer behaviour, particularly within underserved segments. By applying *Behavioural Insights*, DFIs can embed smart product design features such as timely prompts, default settings or simplified choices that nudge positive financial behaviours like regular savings and timely repayments. This approach strengthens product uptake, improves customer outcomes and enhances portfolio quality.

**G** 15.12 At an institutional level, DFIs may foster a culture of innovation by embedding design thinking and customer-centric principles into product development, ensuring that solutions are not only relevant but also responsive to the evolving needs of unserved and underserved segments.

**Socio-Economic Spillovers**

**S** 15.13 DFIs shall track and report on key impact indicators such as job creation and output growth of customers to demonstrate the broader socio-economic outcomes of their intermediation. This requirement underscores the importance of measuring tangible developmental progress, particularly where outcomes are driven by the intentional design of products tailored to the needs of targeted segments. Such tracking enables DFIs to validate the effectiveness of their interventions and strengthen accountability for developmental impact.

**G** 15.14 To complement this, DFIs are also encouraged to implement structured post-implementation reviews of developmental initiatives, assessing actual outcomes against intended objectives. Where relevant, DFIs may expand their measurement frameworks to include additional indicators that capture spillover effects on businesses, communities and the wider economy.

## 16 Demonstration Additionality

**S** 16.1 Demonstration Additionality reflects DFIs' catalytic role in unlocking the growth potential of target segments and sectors by showcasing their commercial viability and building private sector[7] confidence. Given the finite nature of public funds, it is essential for DFIs to crowd-in private capital and participation to scale developmental impact sustainably. This can be achieved through initiatives that de-risk investments, strengthen private sector capabilities and demonstrate viable business models, thereby encouraging replication, co-investment and broader market participation.

[7] Private sector partners under Demonstration Additionality shall include Government-Linked Companies (GLCs), Government-Linked Investment Companies (GLICs) and other private entities that contribute funding, expertise or market access to support the DFI's developmental objectives.

**G** 16.2 DFIs can demonstrate this additionality through various efforts, ranging from raising awareness and educating the private sector on opportunities in targeted segments, to implementing structured interventions that successfully attract private sector participation.

**G** 16.3 Strategic initiatives aimed at crowding-in private sector support will be recognised, even if actual participation has yet to materialise, provided the initiative aligns with the DFI's mandate and demonstrates clear intent.

**S** 16.4 For reporting purposes, DFIs shall categorise each initiative based on the outcome achieved, using the following parameters:

| Outcome | Description |
|---|---|
| **Successful in obtaining private sector's participation** | DFI has successfully mobilised private sector participation or support towards its target segments |
| **Secured partnerships with private sector** | DFI has obtained formal commitments or agreements from the private sector to participate or support its target segments, although implementation is still in progress |
| **Informational awareness to target private sector / funders** | DFI has undertaken efforts to increase visibility of target segments and build private sector capability to support these segments |


*Diagram 3: Categorisation parameters for Demonstration Additionality initiatives*

**G** 16.5 To institutionalise their role as market catalysts, DFIs are encouraged to adopt structured measures that amplify the signalling effect of demonstration initiatives and attract private sector participation. These measures include:

(a) Leveraging public platforms and communication channels to increase visibility of successful initiatives and build investor confidence in target segments;

(b) Conducting strategic market diagnostics to identify ecosystem gaps, support constraints and untapped opportunities; and

(c) Developing targeted engagement strategies informed by diagnostic findings to effectively crowd-in private sector players and scale developmental impact.

**S** 16.6 DFIs shall refer to Appendix 4(a) for detailed parameters and examples to guide the categorisation of their initiatives.

**S** 16.7 DFIs shall report only the progress achieved within the reporting year and submit their report on Demonstration Additionality in accordance with the reporting template outlined in Appendix 4(b).

## 17 Policy Additionality

S 17.1 Policy Additionality reflects DFIs' role in shaping enabling policy environments by contributing to policy development, regulatory refinements and structural reforms. This is particularly important for addressing systemic barriers that limit access to finance for unserved and underserved segments. By fostering regulatory clarity and supporting market-enabling reforms, DFIs help unlock access, catalyse private sector participation and lay the foundation for other forms of additionality, ensuring more inclusive and sustainable development outcomes.

S 17.2 DFIs shall ensure that policy initiatives are evidence-based, aligned with their developmental focus and contribute meaningfully to advancing their mandated segments and sectors.

S 17.3 For reporting purposes, DFIs shall categorise each initiative based on the level of policy influence achieved:

| Type of initiative | Description |
|---|---|
| **Pioneering Policy Output Achieved** | Policymaker adopts DFI's policy advice and implements **new** policy / initiative / scheme benefitting mandated sectors / segments that is the **first in the industry** |
| **Policy Output Achieved** | Policymaker adopts DFI's policy advice and implements **new** policy / initiative / scheme benefiting mandated sectors / segments |
| **Active Initiative** | DFI actively engages in policy dialogues, working groups, or steering committees |
| **Passive Initiative** | DFI advocates for policy change(s) or participates passively in policy platforms |

S 17.4 DFIs' initiative(s) shall be assessed based on annual progress. Ongoing efforts from previous years may be recognised if they show advancement during the reporting year.

S 17.5 Notwithstanding paragraph 17.4, if an initiative shows no progress in the current year, it shall not be recognised for that period. However, it may be recognised in future years provided that it demonstrates meaningful progress and advances to a higher category.

S 17.6 DFIs shall provide supporting evidence to substantiate their policy initiatives. This may include policy papers, documented advisory communications with policymakers and records of participation in regulatory platforms.

G 17.7 To strengthen policy influence, DFIs are encouraged to establish internal mechanisms such as collaborating with other DFIs, industry bodies, research institutions and think tanks to strengthen policy influence and promote coordinated advocacy.

**G** 17.8 DFIs may refer to Appendix 5(a) for a non-exhaustive list of policy-related initiatives.

**S** 17.9 DFIs shall submit their report on Policy Additionality in accordance with the reporting template outlined in Appendix 5(b).

## 18 Social Impact

18.1 The second component of the PMF evaluates a DFI's effectiveness in using public resources to fulfil its developmental mandate. It provides a balanced view of the social returns generated relative to the financial support required, enabling DFIs and their stakeholders to assess whether the development outcomes delivered justify the public investment made.

18.2 Understanding these dynamics is crucial for DFIs to demonstrate accountability, justify continued fiscal support and reinforce the case for long-term sustainability. It also supports more informed business decisions by helping DFIs optimise impact delivery while ensuring responsible and efficient use of public funds.

### 19 Subsidy Dependence Index

**S** 19.1 As public institutions entrusted with delivering developmental outcomes, DFIs often receive public resources and subsidised funds which are inherently scarce and carry an opportunity cost. In this regard, it is essential for DFIs to measure and monitor their level of subsidy dependence to ensure that public funds are utilised efficiently, transparently and in alignment with their developmental mandate.

**S** 19.2 The Subsidy Dependence Index (SDI) is a diagnostic tool that quantifies the extent to which DFIs rely on financial assistance from the Government to remain financially sustainable within a specified time frame. DFIs shall calculate their SDI as the ratio of net subsidy received relative to the income earned from financing activities.

**S** 19.3 In calculating the net subsidy received and the income earned from financing activities in paragraph 19.2, DFIs shall comply with the additional requirements in Appendix 6[8].

**S** 19.4 DFIs should strive for progressive improvement in their SDI over time with a vision to become subsidy independent to reflect a commitment towards reducing reliance on Government financial assistance and strengthening the institution's capacity to deliver developmental outcomes through self-sustainable operations.

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[8] Appendix 6 sets out the requirements and formula for the computation of SDI, an example calculation and the SDI reporting format.

**S** 19.5 DFIs shall submit their calculation of the SDI in accordance with the reporting template outlined in Appendix 6(d).

## 20 Mandate Index

**S** 20.1 The Mandate Index (MI) typically serves as a measure of how effectively DFIs fulfil their mandates. For the purpose of this policy document, the MI is specifically designed to assess how well DFIs' financing activities serve the unserved and underserved segments within their mandates, based on output and outreach scores. The MI aims to encourage DFIs to adopt a more intentional and strategic approach in targeting these priority segments within their mandated areas, in accordance with the segmentation framework developed in paragraph 14.6.

**S** 20.2 DFIs shall calculate the MI as the weighted average of their Output and Outreach Scores – two key components of the MI:

(a) The Output Score reflects the depth and scale of financial support provided across Aspirational, Developmental and Non-developmental categories, and is particularly important for non-retail DFIs whose impact is driven by large-ticket, high-value financial interventions; and

(b) The Outreach Score reflects the breadth of inclusion and access for the three categories and is particularly important for retail DFIs whose impact is driven by reaching a larger number of beneficiaries.

Appendix 7(a) and 7(b) outline the methodology for calculating the Output Score, Outreach Score and Mandate Index.

**S** 20.3 DFIs shall strive towards continuous improvement in their MI performance over time. This progression should be pursued in a responsible and sustainable manner, with the objective of enhancing the institution's effectiveness in serving the unserved and underserved segments.

**G** 20.4 DFIs should use insights from their MI performance to inform strategic planning, product development and outreach strategies, especially towards Aspirational segments.

**G** 20.5 DFIs may integrate relevant MI metrics into their corporate scorecard and departmental KPIs to promote institutional ownership and accountability.

**S** 20.6 DFIs shall submit their calculation of the MI in accordance with the reporting template outlined in Appendix 7(c).

## 21 Impact Multiplier

**S** 21.1 The Impact Multiplier (IM) measures the effectiveness of DFIs in generating economic impact to their business borrowers through their financing. While the business outcomes achieved by DFIs' borrowers may not be fully attributed to DFIs' financing, the IM provides a standardised approach to quantify the economic value generated per ringgit disbursed, enabling DFIs to evaluate the developmental outcomes of their financing interventions.

**S** 21.2 DFIs shall collect relevant information from their business borrowers to measure the Impact Multiplier through:
(a) a baseline assessment of borrowers' business performance at the loan application or inception stage; and
(b) a final assessment of borrowers' business performance at or nearing loan maturity.

**S** 21.3 DFIs shall measure the Impact Multiplier for the cohort of business borrowers with outstanding loans that are maturing during the reporting year.

**S** 21.4 For non-retail DFIs, the cohort in paragraph 21.3 shall consist of all business borrowers maturing within the reporting period.

**S** 21.5 For retail DFIs, the cohort in paragraph 21.3 shall consist of all SMEs and, where relevant, corporate borrowers maturing within the reporting period, and minimally 50% of microfinance borrowers maturing within two years of the reporting period.

**S** 21.6 DFIs shall calculate their Impact Multiplier as:
(a) the change in the annual turnover of the cohort at loan maturity compared to loan inception divided by the total financing disbursed to the cohort ($IM_{Turnover}$); and
(b) the change in the number of employees of the cohort at loan maturity compared to loan inception divided by the total financing disbursed to the cohort ($IM_{Employment}$).
An illustration of the computation is provided in Appendix 8(a).

**S** 21.7 DFIs shall calculate the average labour productivity[9] growth of the cohort from loan inception to loan maturity to complement the IM.

**G** 21.8 DFIs should use insights from the IM to inform portfolio or product design and refine strategies for resource allocation to maximise developmental impact.

**S** 21.9 DFIs shall submit their calculation of the IM in accordance with the reporting template outlined in Appendix 8(b).

[9] Average labour productivity is calculated as the total annual turnover divided by the total number of employees.

## 22 Operational Efficiency

22.1 The final component of the PMF evaluates DFIs' efficiency in managing their internal processes and resources to deliver financial services. Efficient operations signal professionalism, reliability and accountability which are vital for sustaining stakeholder confidence and long-term support from customers.

22.2 Prudent resource management also enables DFIs to reach more beneficiaries, deploy funds faster and achieve greater outcomes with limited resources. By monitoring this component, DFIs can identify inefficiencies, improve delivery mechanisms and develop strategies to ensure resources are used optimally to achieve their mandate.

### 23 Service Delivery Standards

S 23.1 In fulfilling their developmental mandates, DFIs are expected to provide timely access to financial products and services for their target segments. Service delivery standards shall reflect the extent to which DFIs establish, implement and adhere to customer service standards, including client charters, internal service delivery policies and timely processing of financial services, to ensure customers receive efficient and reliable access to financial products and services.

S 23.2 At minimum, retail DFIs shall establish internal policies governing their service delivery timelines[10] for retail customers covering the following services:

(a) Account application services at branch counter, which include opening of basic savings / current account and closing of basic savings / current account;
(b) Issuance of ATM cards or debit cards; and
(c) Product applications, which include credit card, hire purchase and mortgage loan.

S 23.3 In addition, DFIs shall establish internal policies governing their service delivery timelines for business customers covering the following three key processes in financing applications:

**(a) Lead Response Time**
This refers to the duration from the date of a customer's initial submission to the date of the DFI's first response. The response may consist of a request for further information or complete documentation; or an acknowledgement that the application has been accepted for processing.

**(b) Application Processing Time**
This is measured from the date the customer submits a complete application to the date the DFI completes its assessment and issues a final decision, either approval or rejection.

**(c) Communication of Financing Decision**
This refers to the time taken from the date the DFI completes its processing of the application to the date the financing decision is formally conveyed to the customer. For approved applications, the communication

[10] Service delivery timelines can include internal Turn-around Time (TAT) targets and Client Charters.

shall include the decision and the subsequent steps required for disbursement. In cases of rejection, the DFI shall provide the rejected applicants with adequate explanations on the reason(s) for rejection and refer the applicants to avenues for advisory or alternative financing assistance in line with Bank Negara Malaysia's requirement for financial institutions.[11]

**S** 23.4 In relation to paragraph 23.3, DFIs shall track the Turn-around Time (TAT) Achievement Rate for business financing applications, which measures the extent to which DFIs meet their established service delivery timelines. DFIs shall refer to Appendix 9(a) for an illustration of processes to be tracked for TAT Achievement Rate.

**S** 23.5 In setting service delivery timelines for business financing applications, DFIs shall differentiate by business customer segments to reflect varying levels of complexity and service expectations, rather than applying a single, uniform target across all segments.

**G** 23.6 The service delivery timelines should be realistic and customer-centric, aligned with common industry practices, publicly communicated (where applicable) and internally monitored for compliance and performance tracking.

**S** 23.7 DFIs shall track and report the number of financing applications from business customers that are processed within and exceeding the established service delivery timelines for each of the processes defined in paragraph 23.3.

**S** 23.8 For each process defined in paragraph 23.3, DFIs' TAT Achievement Rates shall be calculated as a proportion of financing applications meeting the service delivery timeline against total financing applications received. An illustration of the computation is provided in Appendix 9(b).

**S** 23.9 DFIs shall implement measures to improve their TAT Achievement Rates to ensure progressive enhancement in their service delivery.

**S** 23.10 DFIs shall submit their report on TAT Achievement Rate in accordance with the reporting template outlined in Appendix 9(c).

## 24 Complaints Management

**S** 24.1 Complaints Management measures DFIs' timeliness and effectiveness in handling complaints received from customers. It functions as a diagnostic tool to assess how well DFIs resolve complaints internally and promptly, ensuring that customer concerns are addressed fairly without undue delay.

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[11] BNM issued several letters on this requirement to financial institutions, including DFIs, namely:

a. Letter on '(i) Access to Financing; and (ii) Specification relating to Treatment of Rescheduled and Restructured SME Loans/financing' issued on 21 June 2019;
b. Letter on 'Khidmat Nasihat Pembiayaan @ CGC and AKPK: Ensuring a Positive Customer Experience for Rejected Financing Applicants' issued on 19 August 2019; and
c. Letter on 'Update on Khidmat Nasihat Pembiayaan @ CGC and AKPK' issued on 20 September 2023.

**S** 24.2 DFIs' performance in Complaints Management shall be assessed through the following two metrics:
(a) Complaints Resolution TAT Achievement Rate, which is derived as the proportion of complaints resolved by DFIs within the TAT stipulated in their Client Charter / internal TAT target – whereby a higher proportion indicates better performance; and
(b) Complaints Overflow, which is derived as the proportion of DFIs' complaints 'overflowed' or escalated to BNM – whereby a lower proportion indicates better performance.

An illustration of the computations for the respective metrics is provided in Appendix 10(a).

**S** 24.3 In ensuring timely resolution of complaints, DFIs at minimum shall comply with the TAT specified in the Policy Document on Complaints Handling. DFIs shall also track the number of complaints resolved within and exceeding the TAT target.

**S** 24.4 DFIs shall implement measures to improve their Complaints Resolution TAT Achievement Rate and Complaints Overflow from year to year to ensure progressive enhancement in their service delivery.

**S** 24.5 DFIs shall submit their report on Complaints Resolution TAT Achievement Rate in accordance with the reporting template outlined in Appendix 10(b) and shall also comply with the Reporting Requirements on Statistical Report of Complaints Statistics issued by BNM on 31 October 2019.

### 25 Fund Performance

**S** 25.1 DFIs play a pivotal role as implementing agencies for government schemes. As conduits of the Government, DFIs are entrusted with the delivery and operationalisation of targeted financial programmes to achieve policy objectives such as financial inclusion, SME development and sectoral growth. In fulfilling this role, DFIs shall ensure timely disbursement and prudent management of allocated funds for efficient and effective delivery of government schemes. These include:
(a) Schemes funded by the Government[12]; and
(b) Schemes funded by DFIs but announced or positioned as a Government initiative[13].

**S** 25.2 DFIs shall establish annual approval targets for all active schemes[14] to support progressive fund utilisation. For non-revolving schemes, the targets should aim for full utilisation by the scheme's expiry date. For revolving schemes, the

[12] These include schemes funded through an upfront placement of BNM's Fund for SMEs to DFIs.
[13] These include schemes funded by DFIs but receive other Government-backed financial assistance mechanisms such as risk-sharing arrangements, interest subsidies or other forms of support designed to enhance affordability and accessibility for target segments.
[14] Active schemes refer to schemes that are still open for applications from customers at the time of reporting.

targets should reflect a progressive trajectory aligned with the scheme's objective, recognising that utilisation may exceed 100% over time.

**S** 25.3 The fund performance of DFIs shall be evaluated holistically, taking into account various aspects including fund utilisation, achievement of annual approval targets, outreach to intended beneficiaries and the asset quality of the schemes. To facilitate this assessment, DFIs shall submit:

(a) the profile of all outstanding schemes[15], which shall include information such as the source of funds, form of government assistance received for the scheme and financing rate to customers; and

(b) the performance of all outstanding schemes, which shall include information such as the applications, impairments and fund utilisation rates for the schemes.

The full list of information required and reporting template for the profile and performance of outstanding schemes is outlined in Appendix 11.

## 26 Cost Efficiency

**G** 26.1 DFIs are expected to manage their resources prudently while delivering on their developmental mandates. DFIs should consider their cost efficiency when conducting strategic planning to balance the DFIs' income generation and developmental impact. When considering measures to address their cost efficiency, DFIs should avoid short-term decisions that may undermine long-term sustainability.

**G** 26.2 DFIs' Cost Efficiency may be evaluated based on the DFIs' cost-to-income (CTI) ratio, which reflects the relationship between operating costs and income generated.

**G** 26.3 The evaluation of DFIs' Cost Efficiency focuses on the year-on-year movement in the DFIs' CTI ratio, supplemented by a qualitative narrative to explain the underlying factors contributing to any increase or decrease. Recognising that DFIs may require higher upfront investments to pursue developmental mandates with returns materialising over a longer time horizon, no target CTI ratio is prescribed for DFIs under this policy document.

[15] Outstanding schemes refer to schemes that have customers with outstanding balances at the time of reporting. This includes both active and expired schemes.

## PART D REPORTING REQUIREMENTS

**S** 27.1 DFIs shall ensure the accurate and timely submission of information under the PMF. In this regard, DFIs shall ensure that the data reported in PMF reports are consistent and aligned with data submitted through other reporting channels, such as STATsmart, CCRIS and other relevant submissions to BNM.

**S** 27.2 DFIs shall obtain the attestation of their Chief-level officer overseeing Compliance that all information submitted in the PMF report is true, complete and accurate.

**S** 27.3 DFIs shall submit the following reports in accordance with the reporting frequency and submission deadline stipulated below:

| Reports | Reporting frequency | Submission deadline |
|---|---|---|
| Channels to Access Services | Annually | 30 calendar days after year-end |
| Financial Additionality | Quarterly | 30 calendar days after quarter-end |
| Design Additionality | Annually | 30 calendar days after year-end |
| Demonstration Additionality | | |
| Policy Additionality | | |
| Mandate Index | | |
| Subsidy Dependence Index | | |
| Impact Multiplier | | |
| Turn-Around Time | | |
| Complaints Management | | |
| Fund Performance | | |

**S** 27.4 In the interim, submissions required under paragraph 27.3 shall be directed to:

**Financial Inclusion Department, Bank Negara Malaysia**
Email: dfisurveillance@bnm.gov.my
Subject line: [DFI Name] PMF Report Q[X] 20[XX]

**S** 27.5 In the event of any subsequent modification or variation to the PMF report, DFIs shall promptly notify BNM and submit the revised report along with the attestation required in paragraph 27.2.

**S** 27.6 DFIs shall provide any other information related to PMF as may be requested by BNM from time to time.

## APPENDIX 1: Channels to Access Services

### Appendix 1(a): Reporting template for physical channels

| Data item | As at year-end |
|---|---|
| **Overall physical channel** | |
| **Total number of mukims / DUNs served** | |
| of which: Underserved mukims / DUNs | |
| **Agent bank channel** | |
| **Total number of agent banks** | |
| of which: in underserved mukims / DUNs | |
| **Total agent bank transaction value YTD** | |
| of which: in underserved mukims / DUNs | |
| **Total agent bank transaction count YTD** | |
| of which: in underserved mukims / DUNs | |
| **Mobile bank channel (Bank Bergerak)** | |
| **Total number of mobile bank units** | |
| **Total number of underserved mukims served by mobile bank YTD** | |
| **Total mobile bank transaction value YTD** | |
| **Total mobile bank transaction count YTD** | |

### Appendix 1(b): Reporting template for digital channels

| Data item | Ref. | As at year-end |
|---|---|---|
| **Digital channel for individuals** | | |
| **Total number of individuals eligible for digital onboarding YTD** | A1 | |
| **Total number of digital banking users since inception YTD** | A2 | |
| of which: Web banking | - | |
| of which: Active users | - | |
| of which: Mobile app banking | - | |
| of which: Active users | - | |
| **Total digital banking transaction value YTD** | A3 | |
| of which: Web banking | - | |
| of which: Mobile app banking | - | |
| **Total digital banking transaction count YTD** | A4 | |
| of which: Web banking | - | |
| of which: Mobile app banking | - | |
| **Share of individuals onboarded** | A2/A1 | |
| **Average transaction value per user** | A3/A2 | |
| **Average transaction volume per user** | A4/A2 | |
| **Digital channel for businesses (by mandated segment)** | | |
| **Total number of businesses eligible for digital onboarding YTD** | B1 | |
| **Total number of digital banking users since inception YTD** | B2 | |
| of which: Web banking | - | |

| | | |
|---|---|---|
| of which: Active users | - | |
| of which: Mobile app banking | - | |
| of which: Active users | - | |
| **Total digital banking transaction value YTD** | B3 | |
| of which: Web banking | - | |
| of which: Mobile app banking | - | |
| **Total digital banking transaction count YTD** | B4 | |
| of which: Web banking | - | |
| of which: Mobile app banking | - | |
| **Share of businesses onboarded** | B2/B1 | |
| **Average transaction value per user** | B3/B2 | |
| **Average transaction volume per user** | B4/B2 | |

## APPENDIX 2: Financial Additionality

**Appendix 2(a): Sample Reporting Template for Financial Additionality** *(to be customised according to each DFI)*

| Segment | Financing Approved | | Financing Outstanding | |
|---|---|---|---|---|
| | During the quarter | | As at quarter-end | |
| | RM | No. of accounts | RM | No. of accounts |
| **Aspirational category** *(the list below are examples of how the submission may look like)* | | | | |
| Unserved/underserved segments or sectors within DFI's mandate | | | | |
| Segment XX (e.g., First-Time Borrowers*) | | | | |
| Segment YY | | | | |
| Sector AA | | | | |
| Sector BB | | | | |
| New growth areas or tech-related sectors | | | | |
| Social finance programme (e.g., iTEKAD) | | | | |
| Climate related financing | | | | |
| *[DFIs to add additional categories tailored to respective mandates]* | | | | |
| **Developmental category** | | | | |
| XX | | | | |
| YY | | | | |
| **Non-developmental category** | | | | |
| XX | | | | |
| YY | | | | |

**New-to-banking borrowers*

Note:

1. DFI to list down the specific data items under each financing category (Aspirational, Developmental, Non-developmental).
2. Loans to the Aspirational category, Developmental category and Non-developmental category are mutually exclusive and the sum of the three categories should correspond to the total financing approved / outstanding overall.
3. DFI to ensure that a customer is not reported across multiple financing categories (e.g., in Aspirational and Developmental). However, overlaps within the same financing category are permitted (e.g., a customer's loan may be reported in several data items **within** Aspirational).
4. DFIs shall provide justification to support the classification of any segments designated as 'Aspirational'.

## APPENDIX 3: Design Additionality

### Appendix 3(a): Innovative and Responsive Solutions for Target Segments

| Name of solution / product | Target segment (e.g., customer, sector) and pain points addressed | Features of solution / product addressing the pain points | Outreach strategies | Indicators for success | Target for the year | Progress or achievement YTD |
|---|---|---|---|---|---|---|
| | | | | | | |
| | | | | | | |
| | | | | | | |

### Appendix 3(b): Customer resilience and socio-economic spillovers (for businesses)

| Data item | Value |
|---|---|
| **Number of jobs created and sustained by customers** | |
| - New jobs created (during the year) | |
| XX | |
| YY | |
| ZZ | |
| - Existing jobs sustained (as at year-end) | |
| XX | |
| YY | |
| ZZ | |
| **Number of customers with higher sales turnover (during the year)** | |
| XX | |
| YY | |
| ZZ | |
| **Number of customers migrated upwards (during the year)** | |
| Medium to non-SME | |

| | |
|---|---|
| Small to medium | |
| Micro to small* | |
| Informal to formal* | |
| **Number of customers migrated to higher CCPT classification (during the year)**** | |
| of which: C4-C5 to C1-C3 | |
| of which: NEC to C1* | |
| **Number of customers with improved internal credit rating (during the year)**** | |
| XX | |
| YY | |
| ZZ | |
| **Other institution-specific indicators** | |
| Impact indicator 1 | |
| Impact indicator 2 | |

*Note: XX, YY and ZZ should reflect the breakdown of data items according to each DFIs' mandated segment.*
**Applicable for retail DFIs only.*
***Optional for Microfinancing.*

**Appendix 3(c): Customer resilience (individuals in mandated segments)**

| Data item | Value |
|---|---|
| Growth in total savings by individuals during the year* | |
| New saving accounts opened by individuals during the year** | |
| Additional institution-specific indicators that reflect savings growth | |
| Growth in number of insurance/takaful subscriptions by individuals in mandated segments during the year | |

**Refers to the year-on-year change in aggregate savings balances held by individual customers. This includes all active savings accounts and excludes dormant or closed accounts.*
***Refers to the total number of new individual savings accounts opened within the reporting year. Excludes account reactivations or conversions from existing accounts.*

### Appendix 3(d): Financial education (FE) programmes (for individuals)

| Name of FE programme | Subject matter areas *(e.g., saving and budgeting, managing debt, retirement planning, etc.)* | No. of participants | No. of accounts opened (if applicable) | Programme outcomes (including FEME, where applicable) |
|---|---|---|---|---|
| **Overall FE initiatives to all segments** | | | | |
| Programme XX | | | | |
| Programme YY | | | | |
| ***FE to mandated segments*** | | | | |
| *Programme AA* | | | | |
| *Programme BB* | | | | |

*These FE initiatives can be in the form of online, physical, Just-In-Time Financial Education, gamification, behavioural nudges etc. covering topics such as financial management, budgeting, debt management, digital financial literacy, scams which are relevant for the target segments.*

### Appendix 3(e): Capacity building (CB) programmes (for businesses)

| Name of CB programme | Subject matter areas *(e.g., cashflow management, business marketing, digitalising operations, etc.)* | Target segment *(e.g., SME status, sector)* | Channel (physical / online) | Programme partner | No. of participants | Programme outcomes |
|---|---|---|---|---|---|---|
| | | | | | | |
| | | | | | | |

## APPENDIX 4: Demonstration Additionality

### Appendix 4(a): Parameters to categorise a DFI’s Demonstration Additionality initiative

<table>
<tr><th>Outcome</th><th>Retail DFI[16]</th><th>Non-retail DFI[17]</th></tr>
<tr><td rowspan="2">Successful in obtaining private sector’s participation</td><td rowspan="2">DFI attracts / crowds-in private sector’s participation to serve the targeted segments</td><td>DFI is the lead arranger in crowding-in private sector’s support to serve the targeted segments</td></tr>
<tr><td>DFI plays a vital supporting role for a crowding-in initiative to be materialised</td></tr>
<tr><td rowspan="2">Secured partnerships with private sector</td><td>DFI secures funding partners to support targeted segments[18]</td><td rowspan="2">DFI is the lead arranger for attempts to crowd-in private sector’s support to serve the targeted segments<br><br>(private sector’s support has not yet materialised)</td></tr>
<tr><td>DFI attempts to attract private sector’s participation in serving the targeted segments</td></tr>
<tr><td>Informational awareness to target private sector / funders</td><td colspan="2">DFI conducts initiative to spread information / market awareness that improves private sector’s appetite to participate in serving the targeted segments[19]</td></tr>
<tr><td>No initiative by DFI</td><td colspan="2">DFI does not attempt any initiative to attract / crowd in private sector’s support</td></tr>
</table>

[16] An example of crowding-in initiatives that can be undertaken by a retail DFI may include but is not limited to: upward migration of customers to be financed by commercial banks.

[17] Examples of crowding-in initiatives that can be undertaken by a non-retail DFI may include but are not limited to: syndicated financing / club deals, **new** approvals for blended finance / financing guarantee / insurance products launched during the year, credit wrap, bond / sukuk for specific projects / segments within DFI’s mandate.

[18] Examples may include crowding in private sector funds for iTEKAD and to fund capacity building for DFI’s target segments.

[19] Initiatives under this category are aimed at improving private sector’s appetite to serve targeted segments or sectors through initiatives such as:
- Informational awareness e.g. thought leadership reports, sharing of DFI’s success stories with ascertained evidence; or
- Innovative solution / product / scheme that demonstrates growth potential of targeted segments or sectors.

**Appendix 4(b): Reporting Template for Demonstration Additionality**

| No. | Description of initiative | Level of outcome* | Justification | Private partners involved | Amount of financing (RM) crowded in from private partners (if applicable) | Amount of financing (RM) contributed by the DFI (if applicable) | No. of accounts supported by private partners |
|---|---|---|---|---|---|---|---|
| 1. | | | | | | | |
| 2. | | | | | | | |
| 3. | | | | | | | |

**DFI to specify one of the following: (1) Increased private sector awareness; (2) Secured private sector partnership;* ***or*** *(3) Successful in obtaining private sector's participation.*

Note:

1. DFI shall only report Demonstration Additionality initiatives that have been **achieved or undertaken within the reporting year.**
2. DFI shall include clear and verifiable evidence of their role in obtaining private sector's participation or support.

## APPENDIX 5: Policy Additionality

### Appendix 5(a): Detailed examples of initiative categorisation based on thematic areas of Policy Additionality

| Themes | Passive | Active | Policy output | Pioneering policy output |
|---|---|---|---|---|
| **Policies related to financial products / solutions** | | | | |
| **New Government Schemes / Soft Loans / Initiatives** | Initiate and propose introduction of new Govt. schemes / soft loans to stakeholders and policymaker | Actively engage and collaborate with stakeholders and policymakers to develop proposals, with active participation from DFI<br><br>**For DFI playing policy implementer role:** Actively engage and conduct thorough discussions with stakeholders and policymakers to further refine the policy prior to implementation, leading to refinements / enhancements of the policy | As a result of the active engagement, participation and thorough development process, a new Govt. scheme is introduced | As a result of the active engagement, participation and thorough development process, a new Govt. scheme that is <u>first in the industry</u> is introduced |
| **Proposing New Financial Products / Solutions** | Following identifying gaps within targeted segments and in the process of developing solution, DFI | Actively advocate by engaging and conducting discussions with stakeholders and | As a result of actively engaging and discussing with stakeholders and policymakers, solution | As a result of actively engaging and discussing with stakeholders and policymakers, solution |

| | | | | |
|---|---|---|---|---|
| **Requiring Policy Tweaks** | advocates to stakeholders and policymakers to address barriers and limitations | policymakers to address barriers and limitations to facilitate development of solution | (output) is developed, within enhanced regulatory parameters | (output) that is <u>first in the industry</u> is developed, within enhanced regulatory parameters |
| **Policies related to non-financial products / solutions** | | | | |
| **Policy Advisory Involving Structural Changes[20]** | Provide new recommendation or proposal to stakeholders and policymakers involving structural changes to help development of mandated segments / sectors | Actively engage stakeholders and policymakers to recommend and propose areas that need structural changes that help development of mandated segments / sectors | As a result of active engagement with stakeholders and policymakers, the structural change that helps development of mandated segments / sectors is materialised | As a result of active engagement with stakeholders and policymakers, the structural change that helps development of mandated segments / sectors is materialised, which is also <u>first of its kind</u> |
| **Sectoral / Segmental Awareness Creation to Policymakers** | Advocating to stakeholders and policymakers to create awareness on areas / issues that are relevant to targeted segments | Actively engage stakeholders and policymakers to advocate and create awareness on areas / issues that are relevant to targeted segments | As a result of active engagement with stakeholders and policymakers, policymakers agree to participate to address the issues / formulate solutions | As a result of active engagement with stakeholders and policymakers, policymakers agree to participate to address the issues / formulate solutions which are <u>first of its kind</u> |

[20] Can be beyond purview of own ministry – e.g. proposing tourism hot spots, recommending mandating SME aisle in all local supermarkets, mandate refresh to Ministry in charge i.e. proposing the inclusion of other unserved / underserved segments.

| | | | | |
|---|---|---|---|---|
| **Participation In Committee/ Working Group** | Member of steering committee(s) / development council(s) / working group(s) that focus on targeted segments during the reporting year | Actively participate in steering committee(s) / development council(s) / working group(s) discussions that focuses on serving targeted segments during the reporting year with specific proposals being raised | As a result of DFI's active participation and specific proposals raised in steering committee(s) / development council(s) / working group(s), new policies benefitting targeted segments are implemented | As a result of DFI's active participation and specific proposals raised in steering committee(s) / development council(s) / working group(s), new policies benefitting targeted segments that are first of its kind are implemented |

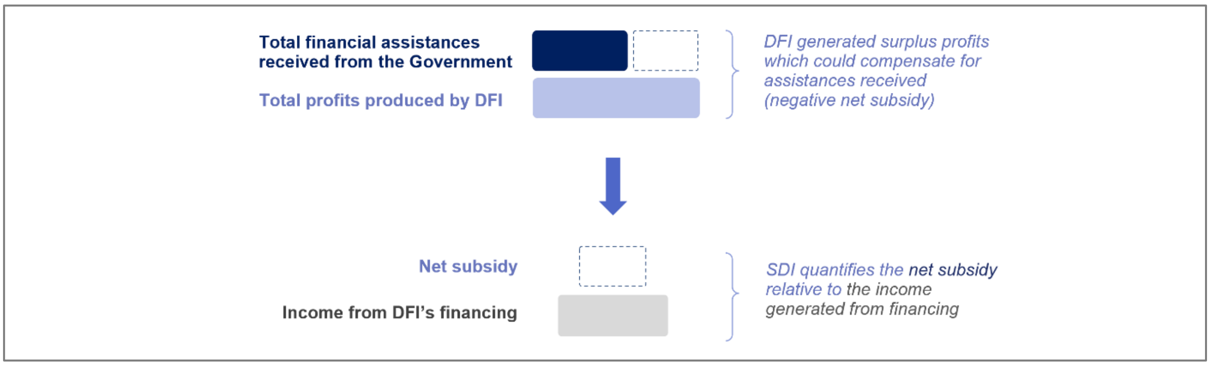
**Appendix 5(b): Reporting Template for Policy Additionality**

| No. | Description of initiative | Level of initiative* | Justification | Policymakers or stakeholders involved | Year initiated | Updates as at reporting date |
|---|---|---|---|---|---|---|
| 1. | | | | | | |
| 2. | | | | | | |
| 3. | | | | | | |

**DFI to specify one of the following: (1) Passive initiative; (2) Active initiative; (3) Policy output achieved;* ***or*** *(4) Pioneering policy output achieved.*

## APPENDIX 6: Subsidy Dependence Index

The diagram below depicts SDI as the ratio of net subsidy received relative to the income earned from financing activities.




### Appendix 6(a): Additional requirements

**S** 1. DFIs shall determine the net subsidy (S) as the total financial assistance they received from the Government during the year, less profit before tax for the year, using the formula below:

$$S = E^{*}m + A(m-c) + K - P$$

where –
S is the net subsidy;
E is the average annual paid up capital attributable to the Government;
A is the average annual outstanding borrowings from the Government;
K is the government subsidies received during the year;
m is the market rate on borrowed funds;
c is the concessional rate on borrowed funds; and
P is the profit before tax for the year.

**S** 2. DFIs shall calculate the components of S based on the descriptions provided in the table below.

| **Component** | **Description** |
|---|---|
| Subsidy on government equity, E*m | Average annual paid up capital attributable to the Government multiplied by the interest rate that the DFI would be assumed to pay for borrowed funds without access to concessionary funds ('market rate'). |
| Subsidy on government borrowings, A(m-c) | Average annual outstanding borrowings from the Government multiplied by the discount in funding rates, where the discount in funding rates is the difference between the market rate minus the actual cost of funds that the DFI paid on its average annual outstanding borrowings from the Government ('concessionary rate'). |

| | |
|---|---|
| Other subsidies, K | Other financial assistance given by the Government designed to provide an economic benefit to DFIs. These include but are not limited to:<br>1. Government grants<br>2. Compensation from the Government<br>3. Interest rate subsidy |
| Profit, P | Annual profit before tax for the year. |

**S** 3. DFIs shall determine the income earned from financing activities (Y) as the average annual outstanding loans multiplied by the weighted average interest/profit earned on the financing portfolio, using the formula below.

$$Y = L*i$$

where –
Y is the income earned from financing activities;
L is the average annual outstanding loans[21]; and
i is the weighted average interest/profit earned on the financing portfolio.

**G** 4. The SDI may be interpreted as follows:

| SDI | Interpretation |
|---|---|
| SDI > 0% | The total subsidies received are higher than annual profits. The DFI is unable to generate sufficient returns to compensate society for the opportunity cost of public funds, hence considered subsidy-dependent. A higher SDI reflects a higher dependency on subsidies. |
| SDI = 0 | The total subsidies received equal annual profits. The DFI has achieved self-sustainability. |
| SDI < 0% | The total subsidies received are lower than annual profits. The DFI has not only achieved self-sustainability but also generated surplus income beyond its operational needs. This suggests that subsidies could be effectively reduced, or that services could be provided at lower costs. |

**S** 5. While the SDI may be interpreted as the percentage increase in the average lending interest rate that would be required to eliminate subsidy dependence, it must not be used as a directive or justification for DFIs to raise their rates.

[21] The average annual outstanding loans is calculated by taking the outstanding balance at the beginning and end of the year, then computing the average of these two amounts.

## Appendix 6(b): Illustration of full SDI formula

$$\textbf{SDI} = \frac{\left(\text{Government Borrowings, A (RM)} \times \text{Difference in Funding Rates, m-c (\%)}\right) + \left(\text{Government Equity, E (RM)} \times \text{Market rate, m (\%)}\right) + \text{Other Assistances, K (RM)} - \text{Profit Before Tax, P (RM)}}{\text{Average Annual Outstanding Loans, L (RM)} \times \text{Average Financing Rate, i (\%)}}$$

## Appendix 6(c): Example calculation

SDI = [RM 1,500m × (4.0% - 2.0%)] + (RM1,000m × 4.0%) + RM200m – RM50m / RM5,000m[21] × 5.0%

$$= \frac{220.0}{250.0}$$

= 0.88 or 88.0%

Interpretation of result: The DFI is dependent on subsidies to generate returns, as its profits are lower than the subsidies it receives. It would need to increase its average financing rate by 88.0% to operate sustainably without any subsidy support.

*Source: Adapted from “Measuring the Performance and Achievement of Social Objectives of DFIs”, The World Bank (2008)*

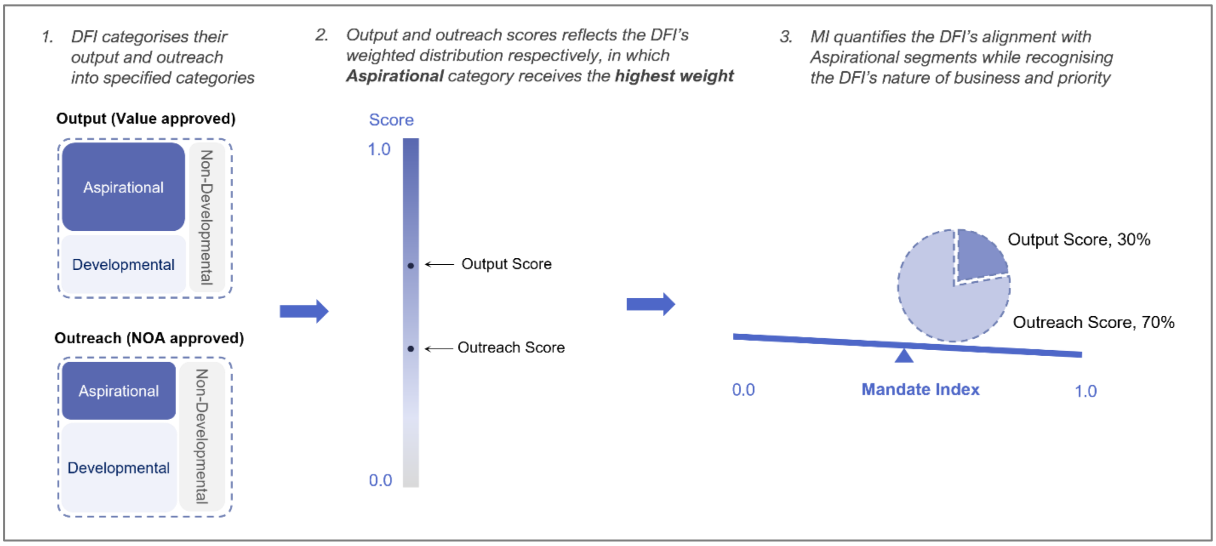
## Appendix 6(d): Reporting template for SDI

| Ref | Items | Unit | Explanation | Value |
|---|---|---|---|---|
| E | **Average annual government equity, E** | RM mil | (Ea+Eb)/2 | |
| Ea | Government equity at the start of the reporting period | RM mil | | |
| Eb | Government equity at the end of the reporting period | RM mil | | |
| A | **Average annual government borrowings, A** | RM mil | (Aa+Ab)/2 | |
| Aa | Government borrowings at the start of the reporting period | RM mil | | |
| Ab | Government borrowings at the end of the reporting period | RM mil | | |
| K | **Government assistance received during the year, K** | RM mil | Ka+Kb+Kc | |
| Ka | Grants utilised / received during the year | RM mil | | |
| Kb | Compensation received during the year | RM mil | | |
| Kc | Interest subsidy received during the year | RM mil | | |
| L | **Average annual outstanding loans, L** | RM mil | (La+Lb)/2 | |
| La | Outstanding loans at the start of the reporting period | RM mil | | |
| Lb | Outstanding loans at the end of the reporting period | RM mil | | |
| P | **Profit before tax in the reporting period, P** | RM mil | | |
| m | **Average borrowing rate for commercial funds, m** | Decimal form | | |
| c | **Average borrowing rate for government funds, c** | Decimal form | | |
| i | **Average lending rate, i** | Decimal form | | |

| Items | Unit | Explanation | Value |
|---|---|---|---|
| **Total Subsidy, E*m + A(m-c) + K- P** | RM mil | E*m + A(m-c) + K - P | |
| **Total Yield from Lending, L*i** | RM mil | L*i | |
| **Subsidy Dependence Index, SDI** | % | | |

## APPENDIX 7: Mandate Index

The diagram below illustrates the concept of Mandate Index as a measure of alignment of DFIs' output and outreach in serving unserved and underserved segments within their mandated areas.




### Appendix 7(a): Calculation methodology

1. DFIs shall first compute the Output and Outreach Scores by calculating the weighted average of output and outreach across Aspirational, Developmental and Non-developmental categories, and dividing them by the maximum possible weighted average[22] as a way to compare actual results to the best possible outcome. The weights assigned to the categories are intended to steer DFIs towards addressing financing gaps within their mandate.

$$\text{Output Score} = \frac{\dfrac{\text{Output to Aspirational (A) category} \times W_A + \text{Output to Developmental (D) category} \times W_D + \text{Output to Non-developmental (N) category} \times W_N}{\text{Total Output}}}{W_A}$$

[22] The maximum possible value for the weighted average of output or outreach corresponds with the highest weightage in the calculation – if 100% of a DFI's output or outreach are channelled to aspirational segments, the value of weighted average would be 0.6.

$$\text{Outreach Score} = \frac{\dfrac{\text{Outreach to Aspirational (A) category} \times W_A + \text{Outreach to Developmental (D) category} \times W_D + \text{Outreach to Non-developmental (N) category} \times W_N}{\text{Total Outreach}}}{W_A}$$

where –
$W_A$ is the weightage on Aspirational category, 0.6;
$W_D$ is the weightage on Developmental category, 0.3;
$W_N$ is the weightage on Non-developmental category, 0.1.

2. DFIs shall then calculate the MI as the weighted average of the Output and Outreach Scores. The weights assigned to Output and Outreach Score are intended to align with the strategic focus of the DFI:

   (a) DFIs that primarily provide financing to retail segments (including SMEs) shall apply a weightage of 0.7 on Outreach Score and 0.3 on Output Score to encourage effective outreach expansion to target segments; and

   (b) DFIs with substantial exposures to large-scale financing such as those that catalyse growth in strategic sectors shall apply a weightage of 0.7 on Output Score and 0.3 on Outreach Score to encourage effective deployment of facilities to target segments.

$$\text{Mandate Index} = \text{Output Score} \times W_{OP} + \text{Outreach Score} \times W_{OR}$$

where –
$W_{OP}$ is the weightage on Output Score as assigned above;
$W_{OR}$ is the weightage on Outreach Score as assigned above.

## Appendix 7(b): Example calculation

Consider a non-retail DFI with the following distribution of loan approvals:

| Category | Loan approvals during reporting period | | Weight |
|---|---|---|---|
| | Value (RM mil) | Volume (no. of accounts) | |
| Aspirational | 10.0 | 200 | 0.6 |
| Developmental | 60.0 | 500 | 0.3 |
| Non-developmental | 30.0 | 300 | 0.1 |

Calculation of Mandate Index:

$$MI = \frac{\left[\frac{(10.0 \times 0.6) + (60.0 \times 0.3) + (30.0 \times 0.1)}{100.0}\right]}{0.6} \times 0.7 + \frac{\left[\frac{(200 \times 0.6) + (500 \times 0.3) + (300 \times 0.1)}{1{,}000}\right]}{0.6} \times 0.3$$

$$MI = (0.45 \times 0.7) + (0.50 \times 0.3)$$

$$MI = 0.47$$

Interpretation of result: The DFI has reached 47% of its maximum potential in serving the unserved and underserved segments within their mandated areas. The highest MI a DFI can achieve is 100% which would reflect that all new loans approved during the year were directed to customers in the Aspirational category.

## Appendix 7(c): Reporting template for Mandate Index

| **Total financing, guarantee and insurance by category** | **Weightage** | **Approval during the year** | |
|---|---|---|---|
| | | **RM mil** | **NOA** |
| **Aspirational** | **0.6** | | |
| **Developmental** | **0.3** | | |
| **Non-developmental** | **0.1** | | |
| **Total financing, guarantee and insurance to all customers** | | | |

| **Data item** | **Value** | **Weightage** |
|---|---|---|
| **Output Score** | | |
| **Outreach Score** | | |
| **Mandate Index** | | |

# APPENDIX 8: Impact Multiplier

## Appendix 8(a): Impact Multiplier calculation

$$IM_{Turnover} = \frac{\text{Change in aggregate annual turnover of the cohort at loan maturity vs. loan inception}}{\text{Total disbursement to the cohort}}$$

$$IM_{Em} \quad \frac{\text{Change in aggregate no. of employees of the cohort at loan maturity vs. loan inception}}{\text{Total disbursement to the cohort}}$$

$$\text{Average labour productivity growth} = \frac{\text{Average labour productivity of the cohort at loan maturity}}{\text{Average labour productivity of the cohort at loan inception}} - 1$$

## Appendix 8(b): Reporting template for Impact Multiplier

| Data item | Value |
|---|---|
| **Number of business borrowers in the cohort ending loan tenures during the year (“maturing borrowers”)** | *[A]* |
| **Total amount disbursed to maturing borrowers since loan inception (RM mil)** | *[B]* |

| Data item | At loan inception | At loan maturity |
|---|---|---|
| | Value | |
| **Annual sales turnover of maturing borrowers (RM mil)** | *[C1]* | *[C2]* |
| **Number of employees of maturing borrowers (headcount)** | *[D1]* | *[D2]* |
| **Annual average labour productivity of maturing borrowers** | *[E1] = [C1 / D1]* | *[E2] = [C2 / D2]* |

| Data item | Value |
|---|---|
| **Impact Multiplier Turnover** | *[C2 - C1] / [B]* |
| **Impact Multiplier Employment** | *[D2 - D1] / [B]* |
| **Average labour productivity growth** | *[E2 / E1] - 1* |

## APPENDIX 9: Service Delivery Standards

### Appendix 9(a): Process flow from business customer's first submission of application to DFI's conveying of application decision

**Lead response time:**

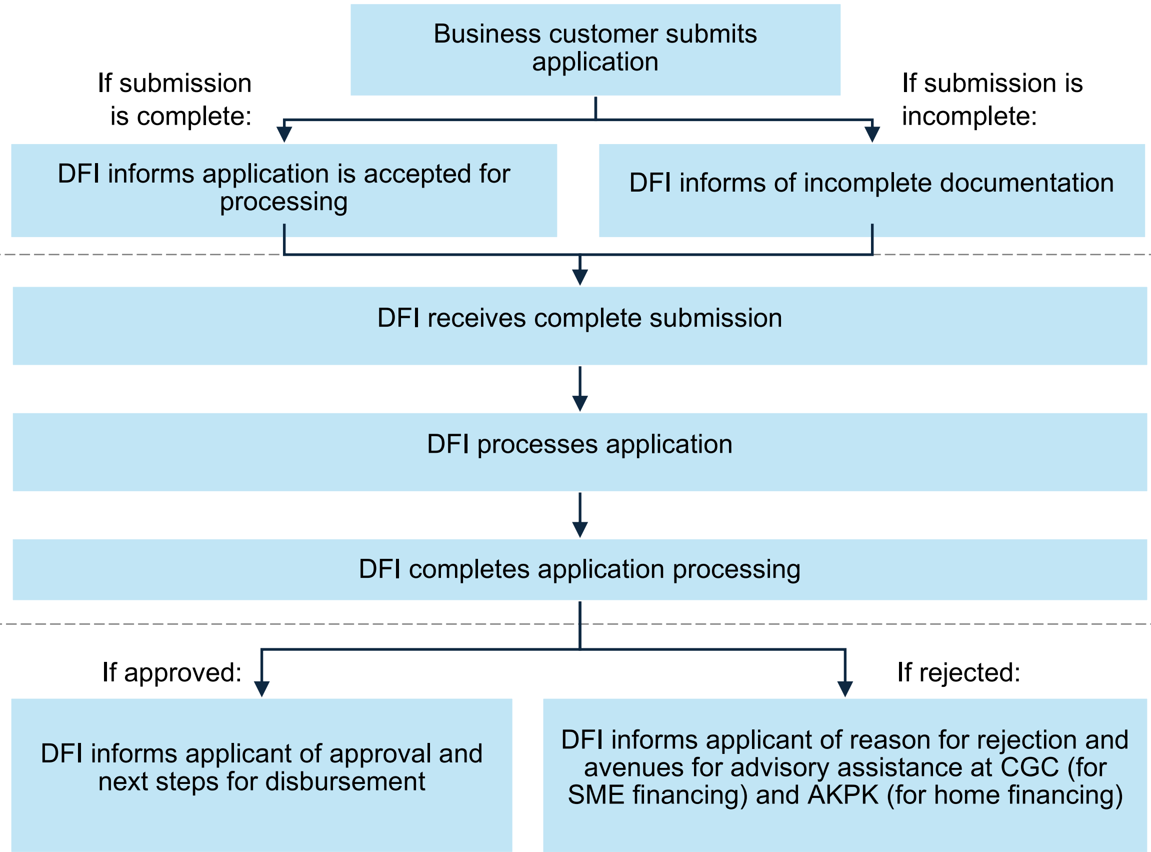
Duration from applicant's first submission to DFI's first response

**Application processing time:**

Duration from complete submission to complete processing of applications

**Decision communication time**

Duration from complete processing of applications to conveying financing decision




### Appendix 9(b): TAT Achievement Rate calculation

$$\text{TAT Achievement Rate} = \frac{\text{Number of business financing applications meeting the TAT stipulated in TAT target}}{\text{Total business financing applications received}}$$

**Appendix 9(c): Reporting template for TAT Achievement Rate** *(tables below are only for illustration and should be customised according to each DFI)*

| LEAD RESPONSE TIME | | | | | | | |
|---|---|---|---|---|---|---|---|
| Business Portfolio | Number of working days | | Number of applications responded to | | | | Reasons for cases exceeding TAT target |
| | TAT target | Average turn-around time[23] | Within TAT target (A) | Exceed TAT target (B) | Total cases (C = A + B) | % of TAT met ( = A / C ) | |
| Microfinancing | | | | | | | |
| SME Financing | | | | | | | |
| Corporate Financing | | | | | | | |

| TIME TAKEN FOR APPROVAL / REJECTION | | | | | | | |
|---|---|---|---|---|---|---|---|
| Business Portfolio | Number of working days | | Number of applications responded to | | | | Reasons for cases exceeding TAT target |
| | TAT target | Average turn-around time[24] | Within TAT target (A) | Exceed TAT target (B) | Total cases (C = A + B) | % of TAT met ( = A / C ) | |
| Microfinancing | | | | | | | |
| SME Financing | | | | | | | |
| Corporate Financing | | | | | | | |

[23] Average turn-around time for lead response time is calculated by dividing the total time taken to respond to all financing applications by the total number of applications received.

[24] Average turn-around time for time taken for approval / rejection is calculated by dividing the total time taken to process all financing applications by the total number of applications processed.

| TIME TAKEN TO COMMUNICATE FINANCING DECISION | | | | | | | |
|---|---|---|---|---|---|---|---|
| Business Portfolio | Number of working days | | Number of applications responded to | | | | Reasons for cases exceeding TAT target |
| | TAT target | Average turn-around time[25] | Within TAT target (A) | Exceed TAT target (B) | Total cases (C = A + B) | % of TAT met ( = A / C ) | |
| Microfinancing | | | | | | | |
| SME Financing | | | | | | | |
| Corporate Financing | | | | | | | |

25 Average turn-around time for time taken to communicate financing decision is calculated by dividing the total time taken to communicate financing decision to all financing applicants by the total number of applications processed.

# APPENDIX 10: Complaints Management

## Appendix 10(a): Calculation of Complaints Resolution TAT Achievement Rate and Complaints Overflow respectively

$$\text{Complaints Resolution TAT Achievement Rate} = \frac{\text{No. of complaints resolved by a DFI within the TAT stipulated in Client Charter / internal TAT target}}{\text{Total complaints received by a DFI}}$$

$$\text{Complaints Overflow} = \frac{\text{Total complaints 'overflowed' to BNM}}{\text{Total complaints received by a DFI}}$$

## Appendix 10(b): Reporting template for Complaints Resolution TAT Achievement Rate

| Process in complaints resolution | Number of working days | | Number of complaints resolved | | | | Reasons for cases exceeding Client Charter / TAT target |
|---|---|---|---|---|---|---|---|
| | Client charter / TAT target | Average TAT[26] | Within client charter / TAT target (A) | Exceed client charter / TAT target (B) | Total cases (C = A + B) | % of cases meeting client charter / TAT target ( A / C ) | |
| Acknowledgement to financial consumers | | | | | | | |
| Resolution of simple cases | | | | | | | |
| Resolution of complex cases | | | | | | | |

[26] Average turn-around time is calculated by dividing the total time taken to process all cases by the number of cases completed within the measurement period.

## APPENDIX 11: Fund Performance

### Appendix 11(a): Information required under the reporting of scheme profile, at minimum

| Item | Description |
|---|---|
| 1. Name | Name of scheme, fund, or programme |
| 2. Objective | Intended purpose or policy goal or the scheme |
| 3. Form of government assistance | The type of support provided by the Government for the scheme, such as grants, soft loans, interest subsidies, backstop of credit losses, or any other type not specified here |
| 4. Inception date | The date the scheme was officially launched or became operational |
| 5. Expiry date | The date the scheme is scheduled or targeted to end or close applications |
| 6. Fund / scheme size | The total amount allocated or committed to the scheme |
| 7. Fund nature | Revolving or non-revolving fund |
| 8. Funding source | Origin of the funds, such as MOF, stakeholder ministries, government agencies, BNM or internal / commercial funds |
| 9. Cost of funds | Interest rate or cost incurred to access the funds |
| 10. Balance sheet treatment | How the scheme is reflected in the DFI's financial statements, such as on-balance sheet, off-balance sheet, contingent liability, or any other treatment not specified here |
| 11. Target groups | The specific segments or beneficiaries the scheme is designed to support, e.g., low-income group, microentrepreneurs, youths, etc |
| 12. Eligibility criteria | The conditions or requirements that applicants must meet to qualify for assistance under the scheme |
| 13. Financing rate | The range of interest or profit rate charged to beneficiaries under the scheme, i.e. maximum and minimum rate |
| 14. Financing amount | The range of financing amount available to each beneficiary, i.e. maximum and minimum amount |
| 15. Financing tenure | The range of duration or repayment period of the financing provided under the scheme, i.e. minimum and maximum number of months or years |
| 16. Annual approval target | The number or value of approvals the DFI aims to achieve during the year under the scheme |

### Appendix 11(b): Reporting template for scheme profile

| No. | Name | Objective | Form of government assistance | Inception date | Expiry date | Fund / scheme size | Fund nature | Funding source | Cost of funds | Balance sheet treatment | Target groups | Eligibility criteria | Financing rate | Financing amount | Financing tenure | Annual approval target |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. | | | | | | | | | | | | | | | | |
| 2. | | | | | | | | | | | | | | | | |
| 3. | | | | | | | | | | | | | | | | |

### Appendix 11(c): Information required under the reporting of scheme performance, at minimum

| Item | Description |
|---|---|
| 1. Name | Name of scheme, fund, or programme as submitted in scheme profile |
| 2. Scheme status | Status of the scheme at the point of reporting, whether active (accepting applications) or expired (closed applications) |
| 3. Applications | Amount and number of accounts applied since inception |
| 4. Approvals | Amount and number of accounts approved since inception |
| 5. Disbursements | Amount disbursed since inception |
| 6. Repayment | Amount repaid |
| 7. Outstanding | Amount and number of accounts outstanding as at the end of the reporting period |
| 8. Impairment | Amount and number of accounts impaired as at the end of the reporting period |
| 9. Fund Utilisation $_{\text{APPR}}$ | $\frac{\text{Total amount approved since inception}}{\text{Total amount of funds allocated or committed}} \times 100$ |
| 10. Fund Utilisation $_{\text{DISB}}$ | $\frac{\text{Total amount disbursed since inception}}{\text{Total amount of funds allocated or committed}} \times 100$ |

## Appendix 11(d): Reporting template for scheme performance

| No. | Name | Scheme status | Application | | Approval | | Disbursement | Repayment | Outstanding | | Impairment | | Fund Utilisation | Fund Utilisation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | RM | NOA | RM | NOA | RM | RM | RM | NOA | RM | NOA | APPR | DISB |
| 1. | | | | | | | | | | | | | | |
| 2. | | | | | | | | | | | | | | |
| 3. | | | | | | | | | | | | | | |